

Annual Audit and Inspection Letter

February 2008



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Warwick District Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

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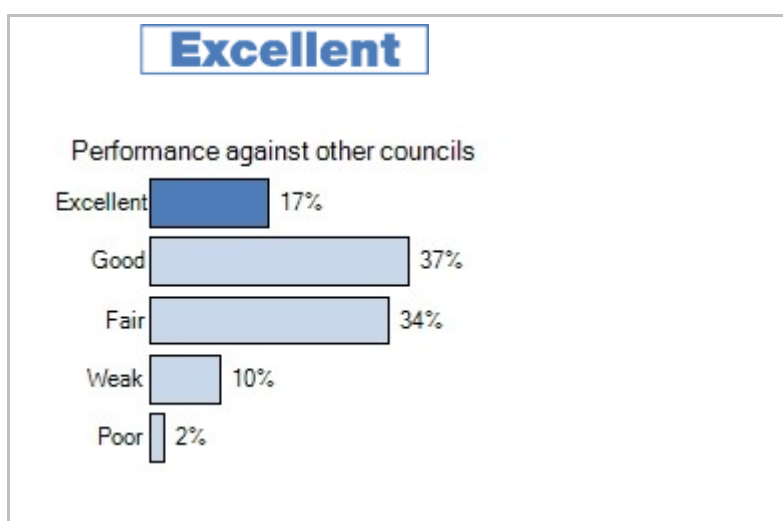
Purpose, responsibilities and scope

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 2 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 3 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.
- 4 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 5 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 6 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.
- 7 Appendix 1 provides information about the fee charged for our audit and inspection in 2006/07.

How is Warwick Council performing?

- 8 Warwick District Council was assessed as Excellent in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

- 9 The Council continues to deliver good and improving services overall with 40 per cent of performance indicators amongst the best performing however, the rate of improvement has slowed and is below average of 33 per cent. Access to services is improving for local people but challenges remain in some priority areas including meeting the need for affordable homes and addressing increasing crime levels. The Council has retained its score of level three for value for money which indicates that it is performing consistently above minimum requirements. Plans are in place for improvements in priority areas; in particular the recycling service.
- 10 The Council's priorities, in summary, are to provide clear community leadership and effective management of resources, improve housing services to meet need, increase participation and attendance in the cultural offering, provide a high standard of environmental services, make the district an attractive place to live and work, promote safe, vibrant sustainable communities and improve the efficiency of service delivery.

Key outcomes in priority areas:

- 11** Customer satisfaction with waste services is good but recycling performance remains below average. Customer satisfaction with waste and cleansing services has increased to best quartile in 2006/07 and the amount of waste collected has decreased and is among the best performers. Recycling performance at 29.35 per cent for 2006/07 is below average as is the coverage of kerbside collections, though satisfaction with the service is above average. In June and July the Council responded well to the challenge of flooding in the District. Over 250 homes were affected and among activities undertaken was the coordination of grant relief to affected residents.
- 12** Progress in meeting housing needs is mixed. The Council has above average performance in its progress towards meeting the Decent Homes Standard. It is also in the development stage of a government pilot to look at financing housing improvements in the longer term. However, delivery of affordable housing continues to be a challenge for the Council. In 2006/07 46 affordable homes were delivered which is below average performance and did not meet the Council's annual target of 100. More recent data provided by the Council indicates an improvement; with 50 units completed so far in 2007/08 and a forecast of 267 for the year.
- 13** The Council and its partners are taking action to address increasing crime levels. The area has comparatively low levels of crime and fear of crime but performance in all six crime categories increased in 2006/07. Action plans are in place to target activity, for example to reduce burglary and serious violent crime, and the CDRP (Crime and Disorder Reduction Partnership) partners have recently defined their roles and set targets.
- 14** Performance in dealing with planning applications continues to be above minimum targets with minor applications being above the national average whilst satisfaction with the service remains best quartile. The speed of processing new housing benefits claims has improved but is below average. Work has taken place in both these services to improve document and work flow management to increase efficiency.
- 15** Usage of leisure facilities has increased but information about users is insufficient. Following improvements in gym facilities, attendances increased by over 20 per cent in 2007 compared with the same period the previous year and swim numbers increased following a 'Get Fit' campaign. Public satisfaction with the service is good. However, the Council does not know how many new users it has attracted or whether it is reaching at risk groups in the community. Work is in progress to develop outcome measures and improved information to allow the Council to better understand its contribution to achieving a healthier community.

- 16 The Council is attracting external funding for projects that support its priorities. The regional development agency (Advantage West Midlands) has allocated £900,000 for a business centre and £600,000 for the development of derelict railway arches to house creative industries and £374,000 for the extension of a healthy living centre in a deprived area, to increase the range of council and partner services available locally. In addition, the Council has contributed to the redevelopment of Kenilworth Town centre, which has attracted a large supermarket, to be completed in 2008. These projects provide opportunities for local people and enhance the appearance of the District.
- 17 The Council is developing IT services and improving access to services for local people. A second one stop shop was opened in Whitnash in December 2007 and plans are in place for Warwick in March 2008 at the County Council offices. The Council's website is now classed as 'transactional' with 33,000 additional users in 2007 compared with 2004. An improved IT system has contributed to a recent improvement in planned housing repair response rates.
- 18 The Council's approach to diversity is developing in partnership. It has achieved level two of the equality standard (24 per cent of council's are level three or above) and a score of 74 per cent in the Duty to Promote Race Equality places the Council above average. It has joined the West Midlands equality and diversity capacity building project which will involve peer review. In addition, a 'new and emerging communities' steering group of partners has been formed in the District improve access to services and cohesion. This work is in the early stages. Taking a partnership approach provides greater opportunity to understand and respond to the needs of local people.
- 19 The Council achieves good value for money. The Council has retained its score of level three for value for money (VFM) which indicates that it is performing consistently above minimum requirements. Spending is well below average and service performance is good overall. Most measures of customer satisfaction are good. However, there are areas for further improvement; ensuring timely delivery of the capital programme, integrating performance and financial reporting, progressing shared service delivery and developing a strategic approach to procurement. A procurement officer was appointed in 2007 to develop the approach.

How much progress is being made to implement improvement plans to sustain future improvement?

- 20 The Council has embarked on a 'Building on Excellence' five year programme (2007-12) to ensure it remains fit for purpose and lean. It began a restructure in May 2007 of staffing and alignment of services. Other areas for improvement in the programme are organisational development and human resources (a revision of organisational values, development of a competency framework and a reward and recognition scheme), the performance management framework, particularly enhancements for partnership working, information technology including further improvements in customer access to services and better use of Council premises.

- 21 Improvements are being made to the corporate planning framework. A Council review in 2007 found the performance management framework (PMF) to be effective but with scope for improvement. A business case approach is to be taken to service planning with better use of information from consultation and benchmarking to encourage more consistent management of costs. Improvements will be in place in the 2008/09 plans. The Executive recently agreed the new corporate strategy and outlined a new set of targets.
- 22 The Council has developed policies and plans to improve performance in priority areas. Plans are in place to improve recycling. A new waste contract has been agreed to begin in April 2008 bringing in alternate weekly collections of different types of waste with continuing weekly collection of food waste. From April, green waste collection will cover the entire district (currently 50 per cent), the range of kerbside recyclables collected will increase (to include plastic and cardboard) as will recycling in schools. The Council's Local Plan has been adopted with requirements for affordable housing raised (the threshold has been lowered from 15 to 10 and the percentage requirement increased from 30 to 40 per cent). In addition, the Council is linking to the work of the IDeA and the Rural Excellence Programme to enhance its understanding of housing needs. Parish plans and housing needs surveys have been developed which are to be used to inform strategic housing decisions.
- 23 Council capacity has been enhanced to support improvement. Two business change officers have been appointed and are working with services such as planning and benefits to improve work practices and the customer experience. Service Reviews are being enhanced to provide a focused tool for improving performance in priority areas.

The audit of the accounts and value for money

- 24** As your appointed auditor I have issued an unqualified opinion on the Council's accounts on the 28 September 2007.
- 25** The majority of working papers were received on time and the quality was good although there is still scope for improvement. Although the accounts contained no material errors, there were a small number of non trivial errors. Measures could be made to ensure that the accounts should be reviewed to detect and prevent these errors.
- 26** Working papers provided should provide a clear link to the financial statements for audit trail purposes.
- 27** Annual accounts should be reviewed against SORP disclosure checklist to ensure compliance with relevant standards. We issued a report to management incorporating recommendations in relation to financial reporting.
- 28** Before giving my opinion, I reported to the audit committee acting as those charged with governance on the issues arising from the 2006/07 audit.
- 29** The statement of accounts on which the opinion was based contained no uncorrected misstatements but there were some adjusted misstatements. The adjustments related to one significant item as reported in the annual governance report to members of the Council in September 2007.

Whole of government accounts

- 30** Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including local government. The Council is required to submit a 'consolidation pack' to Communities and Local Government and I am required, as your auditor, to undertake a range of procedures and report on the pack.

Use of Resources

- 31 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 32 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows. A score of 1 means that the arrangements are considered to be inadequate. A score of 2 represents adequate arrangements in place. A score of 3 means the Council is performing well and a score of 4 represents an area of notable practice.

Table 1

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 33** The scored judgements are linked to our responsibilities under the Code and whilst no issues were identified to impact on the unqualified VFM conclusion, we did identify some areas for improvement and issued a report to management incorporating recommendations aimed at improving the Councils arrangements. A detailed report supporting the assessment and highlighting areas for improvement was issued to the Council in December 2007. Key areas for further improvement are as noted below.
- The Council has produced an annual report and summary financial information for the first time in 2007. A consultation with stakeholders would provide feedback as to whether the access of the report meets the needs of the public users.
 - The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities. Improvement opportunities in this area are unchanged from last year, when it was recommended that consideration should be given to updating the Code of Financial Practice.

Data quality

- 34** Auditors' work on data quality and performance information supports the Commission's reliance on performance indicators in its service assessments for comprehensive performance assessment (CPA). This delivers the commitment to reduce significantly the level of service inspection required.
- 35** As part of our work on the value for money conclusion, we carried out a review of data quality. We considered whether the Council has proper arrangements in place to secure the quality of key performance data, and whether these arrangements are being applied in practice.

Best value performance plan

- 36** I certify that we have audited the Council's best value performance plan in accordance with section 7 of the Local Government Act 1999 and the Audit Commission's statutory Code of Audit Practice. I have not identified any matters to report to the Council. I have no recommendations to make on procedures in relation to the plan.

National Fraud Initiative

- 37 The National Fraud Initiative is a computerised data matching exercise designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in January 2007. The National Fraud Initiative is a computerised data matching exercise designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in January 2007.
- 38 The Council took part in the Audit Commission's National Fraud Initiative (NFI). The NFI, which is undertaken every two years, brings together data from local authorities, NHS bodies, government departments and other agencies, to detect a wide range of frauds against the public sector.

Additional services

- 39 We did not carry out any specific pieces of risk-based work in 2006/07.

Looking ahead

- 40 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 41 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 42 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

Closing remarks

- 43 This letter has been discussed and agreed with officers. A copy of the letter will be presented at the Council's Audit Committee on 18 March and copies need to be provided to all Council members.
- 44 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Interim audit memorandum	June 2007
Annual Governance Report	August 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Final accounts memorandum	November 2007
Performance Assessment Report	January 2007
Data quality report	January 2008
Annual audit and inspection letter	March 2008

- 45 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 46 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

David Rigg
Relationship Manager and District Auditor

Date

Appendix 1 - Audit and inspection fee

Table 3

Fee estimate	Plan 2006/07	Actual 2006/07
Audit		
Accounts	74,230	76,015
Use of resources	27,982	27,982
Total audit fee	102,212	103,997
Relationship management	4,065	4,065
Total inspection fee	4,065	4,065
Total audit and inspection fee	106,278	108,062
Certification of claims and returns	31,000	34,466